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OMB's Study Of Decentralization Of Federal Governmental Functions

This report to Senator Charles McC. Mathias, Jr., and Representative John P. Murtha discusses the results of GAO's review of the Office of Management and Budget's recent study on decentralization.

The OMB study, while lacking in precision, provides some indication of the range of Federal functions and the number of employees that might be considered for transfer from the Washington, D. C., area.

In GAO's opinion, the most significant result of the OMB study was its objective, well-balanced, and informative discussion of various types of costs, benefits, and other factors associated with decentralizations. This information should be useful to OMB in its planned development of more specific criteria for use by agencies in making decentralization/nondecentralization decisions.



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Logistics and
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B-197684

The Honorable Charles McC. Mathias, Jr.
United States Senate

The Honorable John P. Murtha
House of Representatives

This report is in response to your October 23 and December 5, 1979, letters which requested us to review the Office of Management and Budget's study of the decentralization of Federal governmental functions.

Specifically, you asked us to review the sufficiency of the study scope, the accuracy of facts included, the reasonableness of estimates used, and the balance of presentation. Information on these matters is presented in chapter 3 of the report.

As agreed with your offices, we also reviewed the President's authority to decentralize Government functions without seeking congressional approval; the planned use of the decentralization study to include any scheduled transfer of functions and employees out of the Washington, D.C., area; the economic and environmental impacts of any such moves; the grades of employees involved; and the extent to which minorities and women would be affected. These issues are discussed in chapters 2, 4, and 5 of the report.

As arranged with your offices, unless you publicly announce the contents of the report earlier, we plan no further distribution until 2 days after the date of the report. Then, we will send copies to the Director, Office of Management and Budget, and other interested parties and make copies available to others upon request.



R. W. Gutmann
Director





D I G E S T

As called for by the Civil Service Reform Act of 1978, the Office of Management and Budget (OMB) made a study of the possibility of relocating Federal functions from the District of Columbia and the surrounding area. (See pp. 1, 4, and 10.) GAO was asked to review the scope, accuracy, and other aspects of the study; the planned use of the study; and the President's authority to decentralize Federal functions without congressional approval.

THE PRESIDENT'S AUTHORITY
TO DECENTRALIZE FUNCTIONS

The scope of the President's authority to transfer personnel, positions, and functions of executive agencies from the District of Columbia to other parts of the country without additional statutory authority or specific congressional approval has never been clearly resolved. However, the Congress could control executive decentralization actions in several ways. (See pp. 5 to 9.)

BENEFITS AND LIMITATIONS
OF THE OMB STUDY

In GAO's opinion, the most significant result of the OMB study was its fair, objective, well-balanced, and informative discussion of the various types of costs, benefits, and other factors associated with decentralizations. This information should be useful to OMB in its planned development of more specific criteria for use by Government agencies in making future decentralization/nondecentralization decisions. (See pp. 19 and 39.)

OMB used a survey approach to develop information on decentralization possibilities. Thus, although the study provides some indication of the range of functions and the

number of employees that might be considered for relocation from the National Capital Region, this information is less precise than if a detailed review had been made. Some examples of the lack of precision resulting from OMB's survey approach are:

--Almost one-third of the 61 independent executive agencies in the National Capital Region were not considered in the study. (See p. 13.)

--OMB did not carry out its intention of having its list of decentralization candidates include only new decentralization possibilities identified by the study. Instead, OMB included many functions which had been planned or were being actively considered for decentralization at the time the study was made. (See p. 19.)

--Many functions, suggested by agencies as theoretical decentralization possibilities, were included in OMB's list of candidates even though no cost/benefit analyses were made to determine the feasibility of these decentralizations. (See p. 20.)

--The OMB report grouped planned, actively considered, and theoretical decentralizations together in one presentation without showing which functions were in each category. (See pp. 19, 20, and 21.)

--OMB did not include in its list of candidates all functions suggested by responsible agencies as decentralization possibilities. (See p. 21.)

--Information on numbers and percentages of potentially affected employees, including minorities and women, was inconsistently estimated and reported. (See p. 23.)

The OMB report identified 57 functions, with an estimated 9,187 civilian and 2,594 military employees, as candidates for decentralization. GAO's analysis shows that the list of candidates,

depending on the criteria used, could have included as many as 74 functions, with more than 9,257 civilian employees and 2,611 military personnel, or as few as 36 functions with 6,869 employees. (See pp. 15 and 22.)

PLANNED USE OF THE STUDY

OMB plans to use the study results to review agencies' future budget submissions. It has instructed its budget examiners to make sure that agencies carefully consider the factors discussed in the study report, along with costs and benefits of relocations, before making any decision to decentralize. (See pp. 27 and 28.)

OMB also plans to use the study results to develop better criteria for use by agencies in making decentralization decisions. OMB plans to evaluate these decisions through its existing management and budget review processes. (See p. 25 and pp. 28 to 30.)

HIGH COST OF DECENTRALIZATION

The OMB report recognizes that decentralizations are very costly, not only because of the high cost of relocating employees but also because of the substantial amounts of other costs involved, including increased program costs due to work disruptions and lowered productivity, personal costs to employees, and economic and environmental costs to affected communities. The report emphasizes the need to carefully weigh these costs against expected benefits when decentralization of a function is being considered. (See pp. 16, 17, and 18.)

Estimated relocation costs

GAO estimates that relocating civilian employees for the 57 functions identified by OMB as decentralization candidates could cost the Government as much as \$62 million. This does not include the cost of relocating

Tear Sheet

the 2,611 military personnel attached to some of these functions, nor does it include many other costs that would be incurred in the moves. (See p. 33.)

Impacts on communities

Relocating a Federal function may have significant economic and environmental impacts on both the community losing the function and the one gaining it. Economic impacts on losing communities include loss of local tax revenue, negative impacts on businesses and job markets, and other consequences adversely affecting the economic well-being of the communities. (See pp. 33 to 35.)

Impacts on minorities, women, and employees in lower grades

Case studies of recent relocations show that socioeconomic impacts of relocations on affected employees tend to be most severe on minorities, women, and employees in lower grades. GAO's analysis shows that the decentralizations proposed in the OMB report, if carried out, would affect large numbers of employees in these categories. (See pp. 35 and 36.)

CONCLUSIONS

It should not be assumed that all functions listed in the OMB report as decentralization candidates will be decentralized. Because of the uncertainties involved, relocations of many of these functions may not materialize. Relocation sites, costs, benefits, impacts on employees, urban and community impacts, and other factors must be thoroughly reviewed and analyzed before decentralization action is taken. (See pp. 39 and 40.)

Although it is theoretically possible to relocate many Federal functions out of the National Capital Region, the high cost of relocating these functions may make such moves impractical. GAO agrees with OMB that the

costs and benefits of each proposed relocation should be thoroughly considered before any decision to decentralize a function is made. (See p. 40.)

GAO also agrees with OMB on the need to revise OMB Circular A-60 to provide agencies with more specific criteria for use in making decentralization decisions. GAO believes the revised circular should contain practical guidance for considering all factors relevant to proposed decentralizations and for systematically weighing costs and benefits to determine the feasibility of the moves. (See p. 40.)

OMB COMMENTS

OMB's comments on GAO's draft report were, for the most part, explanations of the rationale and methodology used in its study. These comments have been recognized and considered by GAO and are discussed in applicable sections of this report. OMB agreed that the basic conclusions reached by GAO coincide with those presented in its study (See pp. 11 to 14, 20, 23, 24, and 40, and app. VI.)

C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Scope of review	1
2	DECENTRALIZATION PERSPECTIVES	4
	Decentralization policies	4
	The President's authority to decentralize Federal functions	5
	Means of congressional control	9
3	THE OMB DECENTRALIZATION STUDY	10
	Study approach	10
	Limited study scope	11
	Determination of geographical distribution of Federal functions	11
	Identification of decentrali- zation possibilities	11
	No controls to ensure participation	13
	No controls to ensure iden- tification of all decen- tralization possibilities	13
	Study results	15
	Existing decentralization of Federal functions	15
	Possibilities for further decentralization	15
	Decentralization considerations	16
	Measurable costs	16
	Costs that are difficult to measure	17
	Study conclusions and recommendations	18
	Balance of presentation	18
	Lack of precision in reported information on decentralization possibilities	19
	Study commingled likely and uncertain candidates	19
	Costs not identified	20
	Categories identified	20

CHAPTER		<u>Page</u>
3	OMB's list of candidates does not include all decentralization possibilities	21
	Analysis of decentralization possibilities identified by the study	21
	Inconsistent estimating methods	23
4	PLANNED USE OF THE STUDY	25
	Planned decentralizations	25
	American Forces Radio and Television Service	25
	Defense Mapping School	26
	Navy Diving and Salvage School	26
	Federal Aviation Administration functions	27
	Decentralizations being considered	27
	Planned revision of OMB decentralization criteria	28
	Agency views on decentralization criteria	28
	Factors to be considered in revision	30
5	POTENTIAL IMPACTS OF PROPOSED RELOCATIONS	31
	Estimated relocation costs	31
	Other economic impacts	33
	Impacts on losing communities	33
	Impacts on gaining communities	34
	Environmental impacts	34
	Impacts on losing communities	34
	Impacts on gaining communities	35
	Impacts on employees	35
6	CONCLUSIONS	39
	OMB comments	40

APPENDIX

Page

I	Section 901 of the Civil Service Reform Act of 1978	41
II	Bureau of the Budget (OMB) Circular A-60, July 18, 1963	42
III	Analysis of functions reported by OMB as decentralization candidates	47
IV	Functions suggested by agencies as decentralization possibilities but not included in OMB's list of decentralization candidates	51
V	Grades of employees associated with functions identified by OMB as decentralization candidates	53
VI	Letter dated April 8, 1980, from the OMB Executive Associate Director for Reorganization and Management	54

ABBREVIATIONS

GAO	General Accounting Office
GSA	General Services Administration
NCR	National Capital Region
OMB	Office of Management and Budget
OPM	Office of Personnel Management

CHAPTER 1

INTRODUCTION

Section 901 of the Civil Service Reform Act of 1978 (Public Law 95-454, 31 U.S.C. 18 note (see app. I)) required the Office of Management and Budget (OMB) to make a detailed study of the possibility of decentralizing Federal governmental functions 1/ and to submit a report to the President and the Congress on the results of the study.

The act provided that the study should include (1) a review of the existing geographical distribution of Federal governmental functions throughout the United States, including the extent to which such functions are concentrated in the District of Columbia, and (2) a review of the possibilities of distributing some of the functions of the various Federal agencies currently concentrated in the District of Columbia to field offices located at points throughout the United States.

The act specified that interested parties, including heads of agencies, other Federal employees, and Federal employee organizations, were to be allowed to submit views, arguments, and data concerning the study.

SCOPE OF REVIEW

We reviewed the scope, accuracy, and other aspects of the OMB study. We evaluated the guidance, procedures, and management controls for the study and verified data submitted to OMB by selected departments and agencies.

Our review addressed the following points:

- An evaluation of the study, including sufficiency of its scope, accuracy of reported facts, reasonableness of estimates used, and balance of presentation.

1/Decentralization possibilities identified by the OMB study include various operations, activities, organizations, and organizational segments. For convenience, the term "functions" is used throughout this report when referring to these operations, activities, and organizational components.

- The authority the President has to decentralize functions without congressional approval.
- The planned use of the study to include any scheduled transfer of functions and employees.
- The economic and environmental impacts of any moves; the grades of employees involved; and the extent to which minorities, women, and employees in lower grades would be affected.

We made our review during December 1979 through February 1980 at OMB and at the headquarters of the following 12 departments and agencies, all located in Washington, D.C.:

Department of Commerce
Department of Defense
Department of Energy
Department of Health, Education, and Welfare
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of Transportation
Department of the Treasury
General Services Administration
Office of Personnel Management

These agencies were selected because they represent the majority of the agencies that suggested candidate functions for possible decentralization. The listing also includes one major department which had no suggestions.

At each of the agencies visited, we reviewed available documentation relating to suggested decentralization candidates and discussed with agency officials the approach they used in responding to OMB's request; the extent to which

their reviews were verified and subjected to management review; the criteria used in identifying candidate functions; the number of functions already scheduled or planned for decentralization at the time of the study; the number and grades of employees involved and the extent to which minorities and women would be affected; and the extent, if any, to which cost/benefit analyses were performed. In examining specific agency determinations of whether to suggest a function(s) as a possible candidate(s) for decentralization, we did not evaluate the reasonableness of the decisions made.

We considered information compiled by OMB through correspondence and/or discussions with representatives of local jurisdictions within the Washington, D.C., area, officials from communities outside the Washington area, employees' unions, groups representing women and minority employees, public interest groups, organizations with regional perspectives, Members of Congress, and congressional staffs.

Our review was hampered by a lack of complete and organized documentation at OMB and some of the participating agencies. The OMB report was not cross-indexed to supporting working papers, and the working papers were not indexed or assembled in any logical order. In some instances, records of information obtained by telephone and correspondence from participating agencies were not available in OMB's files. These conditions existed, in varying degrees, at some of the agencies. As a result, we had difficulty in relating reported information to source documents. Although we used additional steps and procedures to corroborate available evidence, we are not confident that we obtained all relevant or completely factual information.

CHAPTER 2

DECENTRALIZATION PERSPECTIVES

With varying degrees of emphasis, the decentralization of selected Federal functions from the National Capital Region (NCR) to other parts of the country has been a concern of the executive and legislative branches for many years.

The NCR is defined by OMB Circular A-60 (see app. II) as including

"the District of Columbia, Montgomery and Prince Georges Counties in Maryland, and Arlington, Fairfax, Loudoun, and Prince William Counties in Virginia; the cities of Alexandria and Falls Church in Virginia, and all cities now or hereafter existing in Maryland or Virginia within the geographic area bounded by the outer boundaries of the combined area of the aforesaid counties."

DECENTRALIZATION POLICIES

From July 1962 until August 1978, executive branch space management policy, as expressed in Executive orders, encouraged the decentralization of Federal activities from the NCR.

This policy was first stated in Executive Order 11035, issued by President Kennedy on July 9, 1962. The order required the heads of executive departments and agencies to review continuously their needs for office space in and near the District of Columbia, taking into account the feasibility of decentralizing services or activities which could be carried on elsewhere without excessive costs or significant loss of efficiency.

OMB Circular A-60, issued by the Bureau of the Budget (now OMB) on July 18, 1963, established general criteria to assist departments and agencies in determining the desirability of decentralizing agencies or agency activities from the NCR. (See app. II.)

Executive Order 11512, issued by President Nixon on February 27, 1970, superseded Executive Order 11035 but retained the requirement for agencies to review continuously their space needs and to take into account the feasibility of decentralizing activities which could be carried on outside the Washington area.

On March 27, 1978, President Carter announced his national urban policy which encouraged the relocation of Federal facilities to central business areas of the Nation's cities. This policy is reflected in Executive Order 12072 on Federal space management, issued August 16, 1978. The order, which revoked Executive Order 11512, contains no reference to decentralization; thus, the order neither encourages nor discourages decentralization.

On the other hand, decentralization is still encouraged in the Federal Property Management Regulations of the General Services Administration (GSA) in the interest of reducing Federal space requirements in the Washington area. These regulations (41 C.F.R. 101-17.101(b)(4)) require agencies to

"* * * review continuously their needs for space in and near the District of Columbia, taking into account the feasibility of decentralizing services or activities which can be carried on elsewhere without excessive costs or significant loss of efficiency."

At the same time, GSA follows a policy of relocating Government activities into central business areas of the Nation's cities. The fact that these two policies, if not properly carried out, could be counterproductive to Washington, D.C., was pointed out in our report dated July 30, 1979 (LCD-79-315), "GSA's Space Management Proposals for the National Capital Region and for the Nation's Cities."

A bill (S. 2080) to establish public buildings policies for the Federal Government, to establish the Public Buildings Service in GSA, and for other purposes was introduced by Senator Moynihan on December 5, 1979. This bill, as introduced, would require all Federal agency headquarters to be located in Washington or the metropolitan Washington area unless otherwise specified in law. It further provides that other agency offices which are to be located outside Washington should be evenly distributed in proportion to the geographic distribution of the Nation's population.

THE PRESIDENT'S AUTHORITY TO
DECENTRALIZE FEDERAL FUNCTIONS

The legal authority for decentralization of Federal functions was thoroughly analyzed by the House Committee

on Government Operations in a 1962 report, "Criteria for Decentralizing Federal Activities from the Nation's Capital."^{1/} The report states that "there has been no clear-cut resolution as to the scope of the President's power to decentralize Government agencies without specific congressional authority." This statement appears to be equally valid today.

The 1962 report points out that, since 1790, the law has prescribed that the District of Columbia shall be the permanent seat of the Federal Government and that all Federal offices shall be exercised in the District and not elsewhere. These requirements are now codified in title 4, U.S. Code, as follows:

"All that part of the territory of the United States included within the present limits of the District of Columbia shall be the permanent seat of government of the United States."
4 U.S.C. §71.

"All offices attached to the seat of government shall be exercised in the District of Columbia, and not elsewhere, except as otherwise expressly provided by law." 4 U.S.C. §72.

"In case of the prevalence of a contagious or epidemic disease at the seat of government, the President may permit and direct the removal of any or all the public offices to such other place or places as he shall deem most safe and convenient for conducting the public business."
4 U.S.C. §73.

During World War II, the President administratively transferred a number of Federal offices and employees from the District of Columbia to other locations. A Senate Resolution (S. Res. 216, 77th Cong., 2d Sess.), which opposed the transfer as being "without authority of law," was defeated on the Senate floor. (See 88 Cong. Rec. 322-345 (1942).) According to the 1962 report, proponents of the President's wartime transfer relied primarily on his constitutional authority as Commander in Chief. In addition, the 1962 report observes:

"* * * It was also argued that transferring parts of a department to areas outside the District of Columbia would not violate a statute

^{1/}H.R. Rep. No. 2481, 87th Cong., 2d Sess., pp. 12-14.

prescribing that the department shall be located at the seat of government. * * *" (Emphasis in original.)

Finally, proponents cited a war powers statute, then in effect, which granted the President certain transfer authority. In this regard, pursuant to a statute still on the books, 50 U.S.C. §404(b)(6), the Director of the Federal Emergency Management Agency advises the President concerning the coordination of military, industrial, and civilian mobilization, including

"* * * the strategic relocation of industries, services, government, and economic activities, the continuous operation of which is essential to the Nation's security."

The 1962 report points to other statutes which have been interpreted as granting certain decentralization authority. Section 210(e) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. §490(e)), provides in part:

"Notwithstanding any other provision of law, the Administrator [of General Services] is authorized, in accordance with policies and directives prescribed by the President under section 205(a) of this Act and after consultation with the heads of the executive agencies affected, to assign and reassign space of all executive agencies in Government-owned and leased buildings in and outside the District of Columbia upon a determination by the Administrator that such assignment or reassignment is advantageous to the Government in terms of economy, efficiency, or national security. * * *"

A 1951 report by the Senate Committee on Public Works on a bill (S. 218, 82d Cong.) to authorize a program of decentralization stated that section 210(e) of the Property Act constituted adequate authority for decentralization, but sought to make such authority "crystal clear." (S. Rep. No. 216, 82d Cong., 1st Sess., p. 9.) The bill proposed by the Senate Public Works Committee did not pass the Senate.

Another general statute which has been viewed as recognizing some authority to decentralize is section 12(d) of the Public Buildings Act of 1959, as amended (40 U.S.C. §611(d)), which provides in part:

"The Administrator [of General Services] in carrying out his duties under this Act shall provide for the construction and acquisition of public buildings equitably throughout the United States with due regard to the comparative urgency of the need for each particular building * * *."

See, also, section 606(a) of the Public Buildings Act, as amended (40 U.S.C. §606(a)).

In addition to the general statutes discussed above, the organic legislation for particular Federal agencies may have a bearing on the authority to decentralize those agencies. The January 1980 OMB report on decentralization lists certain agencies whose organic acts to some extent specify the agency location. For example, section 3(a) of the statute creating the Department of Housing and Urban Development (42 U.S.C. §3532(a)) provides:

"There is hereby established at the seat of government an executive department to be known as the Department of Housing and Urban Development * * *."
(Emphasis added.)

While a provision of this nature may require that the departmental headquarters remain in the District of Columbia, it does not necessarily preclude the establishment of regional offices to carry out certain departmental functions. As the OMB report notes, the Department of Housing and Urban Development has "a well established system of regional and area offices," even though the organic act does not specifically authorize their creation.

It should be emphasized that there is no uniform pattern in the statutory provisions creating major departments. For example, Public Law No. 96-88, 93 Statute 668 (October 17, 1979), which created the Department of Education, does not specifically require that the Department be located "at the seat of government." Moreover, section 416 of Public Law No. 96-88, 93 Statute 685 (to be codified at 20 U.S.C. §3476), specifically provides for the creation of regional and other offices:

"The Secretary is authorized to establish, alter, discontinue, or maintain such regional or other field offices as the Secretary may find necessary or appropriate to perform functions of the Secretary or the Department."

The 1962 House Committee on Government Operations report also cites a number of miscellaneous legislative actions dealing with the decentralization issue. For example, it refers to appropriation act restrictions which have precluded the use of funds to establish new offices outside the District of Columbia, except for programs which the Congress has approved. Finally, the report notes that some agency organic acts specifically authorized the agencies to establish their headquarters outside the District of Columbia.

Means of congressional control

The Congress could control executive decentralization actions in several ways. Perhaps the most direct method of exercising this control would be to enact specific legislation regulating the extent to which agencies could decentralize. As noted previously, such legislation has been proposed in the past but has never been enacted.

The Congress could also deny or reduce the appropriations for agencies attempting to decentralize. In fact, the Congress has taken such action in the past. See, for example, the Supplemental Appropriations Act, 1952, chapter 664, 65 Statute 736, 744 (Nov. 1, 1951), which provided that no part of an appropriation to GSA for emergency operating expenses "shall be available to effect the moving of Government agencies from the District of Columbia to accomplish the dispersal of departmental functions."

Legislation to establish a measure of congressional control over relocations in the military establishment has been passed by the Congress. (See 10 U.S.C. §2687.) This legislation requires the Secretary of Defense or the Secretary of a military department to notify the House and Senate Committees on Armed Services if a military installation is a candidate for closure or realignment. Although this legislation does not prevent relocation in the final analysis, the Congress could use the notification procedures and justification requirements to provide a basis for hearings on the appropriateness of decentralizations and to gain an understanding of the rationale and consequences of these actions.

CHAPTER 3

THE OMB DECENTRALIZATION STUDY

OMB submitted a report on its decentralization study to the President and the Congress in January 1980. The limited scope of the study and a lack of precision in compiling data used raise questions concerning the study's usefulness as a means for identifying all decentralization possibilities and assessing the feasibility of such possibilities.

STUDY APPROACH

OMB's basic approach to the study was to solicit suggestions from executive departments and agencies of functions which could be considered as "possibilities" for decentralization from the NCR. Although the statutory requirement for the study addressed functions in "the District of Columbia," OMB included all functions located throughout the NCR because agency headquarters activities often are divided among various locations in the District of Columbia and the surrounding area.

OMB advised the agencies that, in suggesting candidate functions for decentralization, they should consider "either complete operations or portions of operations that logically could be conducted outside the Washington area." The agencies were asked to develop their suggestions on the basis of the centralization/decentralization criteria contained in OMB Circular A-60.

OMB also solicited comments from the general public, major Federal employee unions, and associations representing various levels of State and local governments. In addition, members of the OMB study group conducted interviews and discussions with more than 100 people representing interested parties, including employees, employee unions, minorities' and women's groups, local jurisdictions within the NCR, State officials, regional groups, Members of Congress and congressional staffs, and State and local interest groups.

GSA and the Office of Personnel Management (OPM) also provided input to the OMB study. GSA provided information on the costs and logistics of decentralization, while OPM provided an analysis of the impact of relocating Federal functions on affected employees, based on five case studies of recent relocations.

LIMITED STUDY SCOPE

The scope of the study was limited in several respects. Complete data on the geographic distribution of Federal functions was not compiled, suggested relocation sites for decentralization candidate functions were not obtained, relocation costs and other relevant factors were not analyzed, and full participation in the study by all Federal agencies was not obtained.

Determination of geographical distribution of Federal functions

The Civil Service Reform Act required the study to include "a review of the existing geographical distribution of Federal governmental functions throughout the United States, including the extent to which such functions are concentrated in the District of Columbia." (Emphasis added.)

OMB limited the scope of its work in this area to compiling data on the number of Federal employees inside and outside the NCR. Consequently, the study report shows percentages of employees inside the NCR, compared to employees elsewhere in the country, but does not contain any information showing in which States, cities, and metropolitan or rural areas employees outside the NCR are located.

OMB comments

In commenting on our draft report (see app. VI), OMB stated that the issue of geographic distribution was the distinction between functions located inside and outside the NCR and that it was immaterial to the statutory study mandate to specify where given functions outside the NCR were being performed.

We believe some identification of employee locations outside the NCR would have been more informative in depicting the existing geographical distribution of Federal functions and employees.

Identification of decentralization possibilities

The Civil Service Reform Act required OMB to conduct a detailed study of decentralization, including

"* * * a review of the possibilities of distributing some of the functions of the various Federal agencies currently concentrated in the District of Columbia to field offices located at points throughout the United States."

OMB's interpretation of this requirement was reflected in its work plan for the study, published in the Federal Register on March 14, 1979. The work plan contemplated that

- each Federal agency in Washington and the surrounding area would be asked to identify those of its functions or activities that might be considered for decentralization, on the basis of the criteria in OMB Circular A-60;
- each agency would be asked to describe the factors involved in each decentralization and to suggest logical geographical locations to receive each decentralized function or activity; and
- OMB would then analyze the agencies' proposals, considering OMB Circular A-60 criteria, associated costs and benefits, urban and community impacts, and other considerations that might surface during the study.

OMB did not follow its published work plan, however, in performing this part of the study. Instead, OMB limited the scope of its work to only the first of the three steps called for by the work plan. As a result, the study report does not contain any information on suggested relocation sites, costs, urban and community impacts, and other factors relevant to the decentralization possibilities suggested by the agencies.

OMB comments

OMB stated that, in its judgment, the general cost and benefit data developed during the study made it unnecessary to require specific relocation site and cost data from the agencies. OMB explained that, consequently, it had chosen not to pursue this part of its initial work plan. (See app. VI.)

We believe a study following OMB's original work plan would have provided a better basis for objectively assessing current decentralization prospects.

No controls to ensure participation

The study scope was limited also because OMB did not establish adequate procedures and controls to ensure that all Federal agencies participated. As a result, OMB could not be sure that it had requested information from all agencies having activities in the NCR or that it had received replies from all agencies contacted.

Although OMB solicited and received replies from all 12 departments and most independent agencies, documents and information made available to us by OMB officials show that 15 of the 61 independent agencies (excluding boards, committees, and commissions) were not asked by OMB to provide input to the study, while 5 other agencies did not respond to the OMB inquiry. Members of the OMB study group told us they had assumed that any agency that did not respond had no decentralization suggestions.

OMB comments

OMB explained that it had made the judgment not to press smaller agencies to provide input to the study because significant decentralization possibilities from these agencies were considered to be unlikely. (See app. VI.)

While we have no evidence that any of these 20 agencies has functions which should have been included in OMB's list of decentralization candidates, the possibility exists that some of these agencies (had they been asked or pressed to provide input) might have suggested additional candidates.

No controls to ensure identification of all decentralization possibilities

OMB did not establish adequate controls to ensure that all decentralization possibilities were identified and reported by agencies in a consistent manner. Agencies were delegated complete responsibility for reviewing, selecting, and suggesting candidate functions. OMB accepted information furnished by the agencies at face value without verifying or questioning the information.

For example, eight decentralization candidate functions in the Department of Health, Education, and Welfare were included in OMB's draft report but were later removed after the Department objected to their inclusion. These functions are shown in the following table:

<u>Function</u>	<u>Estimated No. of civilian employees</u>
Consumer Affairs	53
Institute of Museum Service	7
Food and Drug Administration	4,325
National Clearinghouse on Aging	17
National Center for Health Statistics	400
Bureau of Student Financial Assistance	409
National Center for Education Statistics	175
National Institute of Education	<u>395</u>
Total	<u>5,781</u>

A similar situation involved seven decentralization candidate functions suggested by the Commodity Futures Trading Commission. The Commission later withdrew these functions as possible candidates. This withdrawal was made at the request of the Commission's new chairman, who believed it was inappropriate to suggest any candidates for decentralization without a review of the Commission's entire organizational structure. OMB complied with the Commission's request and excluded these functions from its report.

OMB comments

OMB explained that it had chosen to give agencies the responsibility for identifying decentralization possibilities and that the study was designed specifically not to press either for or against decentralization. OMB noted that, consistent with this approach, it had applied no pressure to the Department of Health, Education, and Welfare to change its judgment regarding the decentralization possibilities of the functions in question. (See app. VI.)

We agree that the agencies were properly given primary responsibility for identifying decentralization candidates. We believe, however, that greater OMB involvement in assisting agencies in this effort would have provided increased assurance that a complete and realistic list of candidates was developed.

STUDY RESULTS

The OMB study report contains information on the extent to which the Federal civilian work force is currently located inside and outside the NCR, the possibilities for further decentralization of Federal functions out of the NCR, and some of the more significant factors relevant to decentralization decisions. This information, together with OMB's conclusions and recommendations based on the study, is summarized below.

Existing decentralization of Federal functions

The OMB report points out that the Federal Government already is highly decentralized, with 88 percent of the Government's civilian employees (excluding those of the Central Intelligence Agency and the National Security Agency) being located outside the NCR. OMB points out that, notwithstanding this high degree of decentralization, all agencies, components, or individual functions are not equally decentralized and that some activities which are concentrated in the NCR may deserve further attention as decentralization possibilities.

The National Capital Planning Commission estimates that about 352,314 Federal civilian employees and 55,549 military employees were in the NCR as of September 30, 1979, out of a total of 4,069,490 employees (2,752,875 civilian and 1,316,615 military) in the country. These figures exclude employees of the Central Intelligence Agency and the National Security Agency.

Possibilities for further decentralization

The study identified 57 functions in 13 departments and agencies which could be considered as possibilities for decentralization. According to the study report, a total of 9,187 civilian employees (based on preliminary estimates) and 2,594 military personnel could be subject to transfer away from the NCR if all these decentralization initiatives are carried out.

Of the 9,187 potentially affected civilian employees, 63 percent (5,781) work in GSA, while almost all the remaining employees (3,204, or 35 percent) are in OPM and the Departments of Defense; Health, Education, and Welfare; Housing and Urban Development; Justice; and Labor.

Decentralization considerations

Regarding decentralizations in general, the study report identifies and discusses a number of important factors which OMB believes should receive attention when decentralization of a Federal function is being considered, including

- expected benefits to be derived from the decentralization,
- cost and logistics considerations,
- effects on productivity,
- potential communications and coordination problems,
- impacts on potentially affected employees, and
- impacts on the economic well-being of affected communities.

OMB recognizes that there have been and continue to be significant benefits to be derived from locating given Federal functions outside the NCR, such as bringing services closer to the people being served, sensitizing program managers to clientele needs, and easing working relationships with State and local officials.

OMB notes that, on the other hand, decentralizations are very costly undertakings, not only from the standpoint of the high direct and indirect costs associated with relocating activities but also in terms of the substantial program costs, economic costs, and human costs involved.

Measurable costs

According to the study report, some of the elements of direct relocation costs include:

- Moving employees' household effects.
- Possible storage of household effects.
- Realtors' fees.
- House-purchase closing costs.
- Temporary lodging costs.

--Travel costs for house-hunting trips.

--Travel costs for the actual movement of employees.

Indirect costs include:

--Severance pay and lump-sum payments for accrued annual leave to employees who choose not to move with a relocated activity.

--Relocation of administrative equipment.

--Construction costs for new administrative space.

--Minor alterations to administrative space.

--Conversion of other types of space for administrative use.

--Space rental costs.

--Environmental impact assessment preparation costs.

OMB points out that agency records of the costs involved in past relocations provide some indication of total costs but generally do not include all costs.

Costs that are difficult to measure

Program costs associated with decentralizations also are significant, according to the OMB report. These costs are defined by OMB as including costs resulting from programmatic disruptions and lowered productivity which develop around prospective and actual decentralizations because of (1) employee distraction once rumors of a possible move begin or a decision has been made and a relocation is imminent and (2) the time involved in resettling transferred activities and training new employees at the new location. OMB notes that, although it would be extremely difficult to tie specific dollar amounts to these costs, the costs nevertheless have significant implications for the affected programs and warrant serious consideration when decentralization is being considered.

Decentralizations may also result in significant economic and "human" costs. OMB explains that communities from which activities are moved may suffer long-term economic losses because of lowered tax revenue and reduced business activity. "Human" costs encompass a wide spectrum of personal costs to

affected employees, ranging from possible temporary unemployment and difficulties in finding another job (in cases of employees who do not choose to transfer with the relocated activity) to the breaking of family and community ties, "culture shock," and possible racial discrimination in the new locations for employees who do transfer.

The study report points out that, when decisions were made about decentralization in the past, they often emphasized the anticipated benefits of the moves but neglected to give adequate attention to the total range of costs that could be incurred. OMB emphasized in its report that both costs and benefits should be thoroughly considered for any given decentralization proposal.

Study conclusions and recommendations

As a result of its study, OMB made the following conclusions:

- Additional decentralization of Federal functions (at least in terms of physical relocation) may not be a major issue because of the current highly decentralized nature of the Federal Government.
- There appears to be no basis at this time for recommending major physical decentralization of functions currently located in the NCR.

OMB recommended revising OMB Circular A-60, the principal standing executive branch statement of criteria for decentralizing Federal activities from the NCR. OMB contemplates that the revised circular will provide an updated Federal policy framework within which individual agencies will make independent decisions about decentralizing functions, subject to OMB's evaluation through existing management and budget review processes.

BALANCE OF PRESENTATION

In its general discussion of decentralization issues, the OMB report presents arguments both for and against the physical decentralization of Federal functions from the NCR. The report recognizes some of the more important benefits that may result from decentralization but stresses the need for departments and agencies to carefully consider

attendant costs and other adverse factors when making decentralization decisions. Thus, the report neither encourages nor discourages decentralization as a general principle but emphasizes that each decentralization proposal must be thoroughly considered and evaluated on its own merits.

In our opinion, the presentation of the study's findings relating to decentralization benefits and problems is fair, objective, well-balanced, informative, and potentially useful in developing better criteria for considering decentralization proposals.

LACK OF PRECISION IN REPORTED INFORMATION ON DECENTRALIZATION POSSIBILITIES

OMB used a survey approach to develop information on decentralization possibilities, rather than subjecting the factors involved in each proposed decentralization to critical analysis and review. Although this information provides some indication of the range of functions and the number of employees that might be considered for relocation from the NCR, the survey approach used by OMB naturally resulted in a less precise presentation of information than if a detailed review had been made. Some examples of this lack of precision are discussed below.

Study commingled likely and uncertain candidates

OMB's list of decentralization candidate functions includes both planned and tentative decentralizations, as well as purely theoretical ones, without any showing of which functions are in each category.

According to members of the OMB study group, they intended to have the list of candidates include only new decentralization possibilities identified by the study and to exclude functions that had been definitely planned for decentralization or were being seriously considered for decentralization by the responsible agencies at the time the study was made. This intention, however, was not clearly communicated to the agencies participating in the study, nor was it consistently applied by OMB in compiling its list of decentralization candidates. As a result, contrary to OMB's intention, the list of candidates includes many functions which either had been planned for decentralization at the time of the study or were being actively considered for decentralization by the agencies responsible for the functions.

Costs not identified

The list of candidates also includes many functions suggested by responsible agencies merely as theoretical decentralization possibilities on the basis that they did not have to be located in the NCR but could be performed elsewhere. Under OMB's survey approach to this part of the study, costs and other factors relating to these possible decentralizations were not thoroughly explored. Thus, these moves may or may not be feasible from a cost/benefit standpoint.

A case in point is the study input provided by GSA. In responding to OMB's request for decentralization candidates, GSA suggested 11 functions, with 5,781 employees, which might be considered for decentralization from the NCR. These functions were suggested on the basis that they could be carried on elsewhere, with no cost/benefit analyses having been performed to determine the feasibility of the suggested relocations. At the same time, GSA provided OMB with information which seemed to cast considerable doubt on the feasibility of decentralizing these functions. In its analysis of decentralization costs and logistics, GSA advised OMB that, because of the high costs associated with relocating Federal functions, any decentralization of agencies on a wholesale basis probably would not be cost effective.

OMB comments

OMB stated that it was not necessary to include specific function-by-function cost/benefit data in a report surveying general possibilities of decentralization. Rather, OMB chose to emphasize the generic types of costs and benefits which should be considered by agencies contemplating decentralizing functions. (See app. VI.)

While we recognize that OMB's survey approach did not permit developing detailed cost/benefit data, we believe the absence of this data emphasizes the uncertain nature of many of the functions suggested by agencies merely as theoretical decentralization possibilities.

Categories identified

Additional information about the decentralization candidates listed in the OMB report, obtained by us from OMB and agency sources, indicates that the list of candidates includes 5 functions, carried on by 146 civilian employees and 212 military personnel, which had been definitely planned for

decentralization at the time of the OMB study; 29 functions, with 1,834 civilian employees and 2,399 military personnel, which were being actively considered for decentralization by the responsible agencies; and 23 functions, with 6,862 civilian employees, which were not being seriously considered for decentralization but were suggested by responsible agencies merely as theoretical decentralization possibilities. The functions in each of these three categories are shown in appendix III.

OMB's list of candidates does not include all decentralization possibilities

Twenty-six functions identified by the study were not included in the study report's list of decentralization possibilities. These functions, involving more than 415 employees (estimated numbers of employees were available for only 12 of these functions), were suggested to OMB as decentralization possibilities by 9 departments and agencies.

Four of the 26 functions, involving more than 308 employees (employee estimates were not provided for 1 of these functions), were planned for decentralization at the time of the OMB study. Nine other functions, with more than 100 employees (employee estimates not provided for 2 functions), were being actively considered for decentralization by the responsible agencies. According to OMB officials, these 13 functions were excluded from the list of candidates because of OMB's intention to have the list include only new decentralization possibilities, as previously discussed.

The remaining 13 functions (employee estimates were provided for only 2 of these functions with 7 employees) were not being seriously considered for decentralization but were only theoretical possibilities. OMB officials could not clearly explain why these functions were not included in the list of decentralization candidates.

The excluded functions in each of the three categories are identified in appendix IV.

Analysis of decentralization possibilities identified by the study

Using information developed in our review, we analyzed decentralization possibilities identified by the OMB study

by applying various criteria for including or excluding functions in compiling a logical, consistently based list of decentralization candidates.

Our analysis shows that OMB's reported list of decentralization candidates could have included as many as 74 functions, with more than 9,257 civilian and 2,611 military employees, or as few as 36 functions with 6,869 employees, depending on the particular criteria that might be followed. The results of our analysis are as follows:

	<u>Decentralization possibilities</u>		
	<u>No. of functions</u>	<u>No. of employees</u>	
		<u>Military</u>	<u>Civilian</u>
Decentralization possibilities reported by OMB	55	2,594	9,187
Adjustments for errors made by OMB in reporting the number of decentralization candidate functions and the number of potentially affected employees	2	17	-15
Adjustment for functions involving the transfer of only positions rather than employees	<u>-9</u>	<u>-</u>	<u>-330</u>
Adjusted total	<u>48</u>	<u>2,611</u>	<u>8,842</u>
<u>Criteria</u>			
Inclusion of 26 additional decentralization possibilities identified by OMB and participating departments and agencies	74	2,611	<u>a/9,257</u>
Exclusion of 9 functions planned to be decentralized at the time of the OMB study	65	2,399	<u>a/8,803</u>
Exclusion of 29 functions being actively considered for decentralization at the time of the OMB study	45	212	<u>a/7,323</u>
Exclusion of 38 functions planned and being actively considered for decentralization	36	-	<u>a/6,869</u>

a/Understated because estimates of numbers of employees involved were not available for all functions.

OMB comments

OMB suggested that the above analysis is immaterial to the study's conclusion about the number of employees subject to decentralization because the total numbers of employees shown in the analysis are not significantly different from the number shown in the OMB report. (See app. VI.)

We agree that the total numbers of employees shown by our analysis are more or less in the general range of the number of employees reported by OMB. We believe the significance of our analysis, however is that it shows that different functions, with different employees, would be affected by applying various decentralization candidate criteria on a consistent basis.

Inconsistent estimating methods

Because OMB did not provide participating agencies with adequate guidance on what estimating methods to follow, agencies used inconsistent methods in estimating the number of employees, including the number of minorities and women, who would be affected by suggested decentralizations.

In the absence of specific OMB guidance, agencies used a variety of methods in estimating the number of potentially affected employees. Some agencies used actual onboard strengths, some used the number of authorized positions, and some used estimates prepared in a variety of ways. For example, one agency arbitrarily increased onboard strengths by 3 percent to determine its estimates of affected employees. One agency based its estimates on personnel ceilings and its knowledge of the budget in relation to each of its decentralization candidate functions. Another agency based its estimate on existing and projected workloads for its decentralization candidate function.

In addition to the inconsistent compilation of the total number of employees, the breakdowns of the number of potentially affected female and minority employees were reported to OMB in an inconsistent and ambiguous manner. For example, one agency did not provide breakdowns of minorities and women. Some agencies listed minority women in both the minority and female categories, while other agencies included minority women in the female category but not in the minority category.

As a result, the OMB report's information on percentages of minority employees is understated. Also, the report does not show the extent to which minority women are included in both categories.

OMB comments

OMB pointed out that the statutory mandate for the study did not require any information on employee groupings. OMB explained that it had provided this information to give the Congress a general idea, on an "order of magnitude" basis, about the implications of decentralization for various employee groupings. (See app. VI.)

We believe information provided to the Congress, whether specifically requested or not, should be as accurate as possible. While we agree that the data reported by OMB provides some indication of the numbers of potentially affected minority and female employees, we believe a more accurate picture could have been presented if more care had been given to assembling and reporting these data.

CHAPTER 4

PLANNED USE OF THE STUDY

Currently, no decentralizations have been definitely planned as a result of the OMB study. As previously noted, 5 functions, involving an estimated 146 civilian employees and 212 military personnel, had been planned by responsible agencies to be decentralized before the study was made, while 29 other functions, involving an estimated 1,834 civilian employees and 2,399 military personnel, were being actively considered for decentralization at that time.

OMB does plan to use the study, however, in reviewing agencies' future budget proposals and in revising the centralization/decentralization criteria contained in OMB Circular A-60.

Agencies' planned decentralizations and OMB's planned use of the study are discussed in more detail below.

PLANNED DECENTRALIZATIONS

The five functions which had been planned for decentralization were the Department of Defense's American Forces Radio and Television Service, Defense Mapping School, and Navy Diving and Salvage School, and the Department of Transportation's Aircraft Safety Development Division and Airport Development Division of the Federal Aviation Administration.

American Forces Radio and Television Service

The Washington facility of the American Forces Radio and Television Service, Rosslyn, Virginia, completed a study on the feasibility of relocating to Los Angeles, California, in March 1979. The primary objective of the relocation was to consolidate the Washington and Los Angeles facilities of the Service at one location to achieve better management of stateside broadcasting operations, eliminate duplication of facilities, and improve service to the Service's stations overseas. Other reasons for the move included the marginal adequacy of space at the Rosslyn site; nonstandard, obsolete equipment at Rosslyn which would require extensive electrical remodeling; and the availability of radio and television technical expertise in the Los Angeles area.

At the time of our review, the Washington facility was in the process of relocating to Los Angeles. The move is expected to be completed some time this year. An estimated 21 positions (16 civilian and 5 military) will be affected by the move.

Defense Mapping School

At the time of the OMB study, the Defense Mapping Agency, Fort Belvoir, Virginia, was planning to relocate its Defense Mapping School, also located at Fort Belvoir, because of the deteriorating condition of the facilities which housed the school. Although no specific relocation site had yet been selected, various alternative sites were being studied.

In August 1979, however, the Mapping Agency reported to the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) that, after exploring all factors associated with decentralizing the Mapping School, it had determined that relocating the school from Fort Belvoir would not be feasible. The decision not to relocate was based on a further review which indicated that the facilities at Fort Belvoir could be made suitable for continued occupancy by the school at a far more reasonable cost than had been originally estimated. The Mapping Agency therefore concluded that the planned relocation would not be cost effective and that the school could best perform its mission at its present location.

If the move had taken place, it would have involved 68 civilian and 127 military employees.

Navy Diving and Salvage School

The Navy Diving and Salvage School, Washington, D.C., was first considered for decentralization in 1975, but the Secretary of the Navy did not formally approve the move until May 1979. The decision to relocate the school was based on poor diving conditions in the Washington area, the high cost of housing military personnel in the NCR, and the better operational coordination which could be achieved if the school and other related functions were located at the same facility.

After a cost/benefit analysis was completed, it was decided to relocate the school to Panama City, Florida, along with related functions being carried on at the naval base in San Diego, California. As of April 1980, the school was

in the process of being relocated to Panama City. The move is scheduled to be completed in June 1980. An estimated 7 civilian employees and 80 military personnel will be affected by the move.

Federal Aviation Administration functions

The two remaining planned decentralizations involve functions of the Aircraft Safety Development Division and the Airport Development Division of the Federal Aviation Administration, Department of Transportation. The Department's decision to decentralize these functions, involving an estimated 55 employees, was made as a part of a headquarters reorganization. The selected relocation site was Atlantic City, New Jersey.

A number of employees filed a court action to block the move. This action resulted in a compromise agreement between the Department and the employees concerned. The intent of the compromise was to transfer 41 employees from Washington to Atlantic City, plus 6 vacant positions, with 8 employees remaining in Washington in an oversight capacity. Only 6 of the 41 employees actually moved to Atlantic City. Of the remaining 35 employees, 3 transferred to other Government agencies, 15 were reassigned to other positions within the Department, 14 retired, and 3 resigned.

The relocation of these functions was completed in August 1979.

DECENTRALIZATIONS BEING CONSIDERED

The 29 functions being actively considered for decentralization at the time of the OMB study currently are in various stages of consideration, ranging from the initial planning stage to completion of cost/benefit analyses. The reasons given by agencies for decentralizing these functions include such rationale as convenience for clientele served by a function; complying with the decentralization criteria contained in OMB Circular A-60; and performing a function more effectively, efficiently, and economically if the function is located outside the NCR. For most of these proposed decentralizations, relocation sites have not been finally selected and specific time frames for the moves have not yet been established.

OMB plans to further consider the suggested decentralization candidate functions in reviewing agencies' future budget

submissions. OMB has instructed its budget examiners to give "serious consideration" in the fiscal year 1982 budget process to any proposals which agencies may have for decentralizing candidate functions listed in the OMB report. The examiners have been instructed to use OMB's report as guidance in determining whether agencies planning to decentralize have carefully considered the factors identified and discussed in the report, along with costs and benefits of the proposed relocations, before deciding to decentralize.

PLANNED REVISION OF OMB DECENTRALIZATION CRITERIA

OMB Circular A-60, "Criteria for Decentralizing Federal Activities from the National Capital Region," established general criteria to assist Federal agencies in determining the desirability of decentralizing agency activities from the Washington area (see app. II). These criteria were designed to provide practical tests for determining whether agencies, newer expanding activities, or existing activities should be located in the NCR or located elsewhere through decentralization or delegation of responsibility to existing field facilities. They describe circumstances in which an agency or an agency activity is generally susceptible to location outside the NCR as well as circumstances in which decentralization generally is not indicated.

Although Circular A-60 is still in effect, it has not been updated since it was issued in July 1963, more than 16 years ago. The need for updating the circular has been recognized by both OMB and the agencies participating in the decentralization study. OMB's letter which requested agencies to identify possible candidates for decentralization also included a request for agencies to submit comments on Circular A-60 to help OMB reexamine the circular and update it as appropriate.

Agency views on decentralization criteria

While many agencies did not comment on OMB Circular A-60, some agencies offered specific comments on how the circular might be improved.

For example, one agency commented on the conflicting nature of the circular's centralization/decentralization criteria:

"Paragraph 3.b. of the current circular should be deleted. The criteria for relocation stated in paragraph 3.a. of the circular are explicit and stand on their own merits. The criteria for retention in paragraph 3.b. are so general that they can be used to justify the retention of almost any activity in the NCR, thereby canceling out the positive impact of paragraph 3.a."

This agency also commented on the issue of cost effectiveness. The agency pointed out the need for the revised decentralization criteria to positively address this issue and to include the stipulation that any relocation of an activity from the NCR must be cost effective:

"The issue of cost-effectiveness must be positively addressed and specific guidance prescribed. If the decentralization criteria is to include the stipulation that relocation of an activity from the NCR must be cost effective in order to be implemented, then a prescribed cost/benefit ratio threshold, or an acceptable range for the amortization period, must be delineated and the method of calculation stipulated."

Another agency commented on the nonspecific nature of the criteria and the lack of guidance on how to apply the criteria in making decentralization decisions:

"In general, the A-60 criteria are not sufficiently specific to be useful to an agency trying to analyze its functions for possible decentralization. In particular, A-60 does not present the relative importance of different criteria. Therefore, an agency has no method for deciding whether or not to decentralize an operation which meets some, but not all, of the criteria."

In recognizing the need for updating its decentralization criteria, OMB plans to revise Circular A-60 with the assistance and involvement of Federal departments and agencies, Federal employee unions, and other interested parties. In revising the circular, OMB plans to use the comments on A-60 that were submitted by agencies during the decentralization study. OMB also plans to publish a draft of the revised circular in the Federal Register, along with a request for comments from interested parties.

Factors to be considered in revision

As of April 17, 1980, OMB had not developed any specific plans as to what revisions it would make to the circular. OMB's general plans are to develop guidelines, with the advice and assistance of interested parties, which can be used by agencies in making decentralization determinations and by the public and OMB in reviewing such decisions. OMB contemplates that these guidelines will provide a simple approach for assuring that all relevant cost and benefit factors will be appropriately considered by agencies making decentralization decisions. OMB contemplates that the guidelines also will address such factors as employee concerns, impacts on employees, implications for gaining and losing communities, programmatic costs and benefits, and physical space needs and constraints.

As of April 17, 1980, OMB had not developed any time frame as to when the revised circular would go into effect. OMB estimates, however, that the total revision effort will take about 3 months from start to finish.

OMB proposes that, in the interim, until such time as further OMB policy guidance is issued in the form of a revised Circular A-60, agencies should

- continue to make determinations about the location of their activities according to their current procedures and related policies and
- consider the various factors, concerns, and sensitivities described in the OMB study report as major elements to address, along with the considerations outlined in the current Circular A-60, in any decisionmaking on decentralization.

In reviewing agencies' future budget proposals, OMB plans to assume a more assertive role in policing the application of its updated decentralization criteria, including the consideration of any proposed decentralizations as a part of the budget process.

CHAPTER 5

POTENTIAL IMPACTS OF PROPOSED RELOCATIONS

The potential impacts associated with relocating given Federal functions outside the NCR are sensitive issues and should be considered along with the benefits to be derived from such relocations. These impacts include relocation costs; economic and environmental impacts; and impacts on employees, particularly minorities, women, and employees in lower grades. The following discussion addresses each of these impacts as they relate to the proposed relocations identified by the OMB study.

ESTIMATED RELOCATION COSTS

Decentralizations are very costly undertakings even with some costs being extremely difficult to translate into specific dollar figures. The costs of relocating employees, including the cost of shipping household goods, travel, temporary lodging, and realtors' fees, can be tied to specific dollar amounts. But even these costs can vary depending on such factors as the distance of the move, the number of people in an employee's family, and whether the employee rents or owns his/her residence.

To illustrate, the table below depicts the estimated costs for relocating employees involved for each of the agencies suggesting functions included in the OMB list of decentralization candidates.

<u>Department or agency</u>	<u>No. of employees</u>	<u>Relocation costs (note a)</u>	
		<u>100 miles</u>	<u>1,500 miles</u>
		----- (thousands) -----	
Commerce	30	\$ 475.9	\$ 542.3
Defense	1,164	18,465.7	21,039.3
Health, Education, and Welfare	750	11,898.0	13,556.3
Housing and Urban Development	299	4,743.3	5,404.4
Justice	378	5,996.6	6,832.4
Labor	(b)	-	-
Transportation	55	872.5	994.1
Treasury	64	1,015.3	1,156.8
GSA	5,781	91,709.8	104,491.6
Interstate Commerce Commission	17	269.7	307.3
National Transportation Safety Board	7	111.0	126.5
Nuclear Regulatory Commission	31	491.8	560.3
OPM	<u>266</u>	<u>4,219.8</u>	<u>4,808.0</u>
Total	<u>8,842</u>	<u>\$140,269.5</u>	<u>\$159,819.2</u>

a/Our estimates were based on average employee relocation costs compiled by the Department of the Navy.

b/Transfer of positions only; no employees involved.

The above costs include the shipment of employees' household effects, temporary storage of household effects, realtors' fees, house-purchase closing costs, temporary lodging costs, travel costs for househunting trips, and travel costs for the actual movement of employees with dependents.

Case studies of recent relocations developed by OPM show that 39 percent of all employees affected by the moves

elected to relocate with the functions. Applying this percentage, the cost of relocating the employees for the decentralization possibilities identified in the OMB report could be as much as \$62 million if all these decentralization initiatives are carried out.

This cost does not include severance and retirement pay (including lump-sum payments for accrued annual leave) for those employees who do not move with the activities, the cost of hiring and training new employees, or other costs associated with the moves, such as the cost of moving equipment and space preparation costs (construction, conversions, alterations, and repairs). Nor does it include the cost of relocating the 2,611 military personnel attached to some of the decentralization candidate functions.

OTHER ECONOMIC IMPACTS

The relocation of a Federal function affects the economic base of both the community losing the function as well as the community gaining the function.

Impacts on losing communities

According to the OMB report, economic impacts on communities from which Federal functions are relocated include:

- Loss of local government tax revenue.
- Loss of revenue for related businesses and services that depend on close contact with Government agencies (lawyers, researchers, consultants, hotels, motels, restaurants, etc.).
- Negative impacts on residential and commercial real estate markets.
- Impacts on bond ratings, which to some extent benefit from the stability of Federal Government employment.
- Negative effects on where trade associations choose to locate their headquarters.
- Reduced community revenue from Federal "impact aid" payments, which are based on the Federal presence in a county or other local jurisdiction.

- The inability of the job market to absorb a large number of displaced clerical employees.

Impacts on gaining communities

Some of the economic impacts on gaining communities, as reported by OMB, are:

- Availability of new jobs for local residents.
- Increased job competition resulting from displaced working spouses.
- Increased demands on residential and commercial real estate markets.
- Increased local government tax revenue.

ENVIRONMENTAL IMPACTS

The environmental impact of proposed relocations is another element which should be included in the decisionmaking process for decentralizing a function. Consideration should be given to the potential environmental impacts of relocations on both losing and gaining communities, particularly from the standpoint of local road and school services, housing, utility systems, and other community services.

We compiled the following lists of environmental factors from information in the OMB report and data provided to us by the Department of the Navy based on its experience in relocating functions.

Impacts on losing communities

OMB and the Department of the Navy have identified the following as being some of the environmental impacts on losing communities:

- Decreased demands on road and school services.
- Decreased demands on existing water and sewer facilities as well as other community services.
- Negative impacts on community stability caused by loss of Federal employees who devote time to civic organizations.

Impacts on gaining communities

According to the Department of the Navy, environmental considerations for gaining communities include:

- Increased vehicular emissions and road congestion from increased traffic flow.
- Increased demand on existing water and sewer facilities.
- Possible shortfalls in the quality and quantity of houses and apartments for sale or rent to meet the needs of all employees relocating into the area.
- Possible inadequacy of the number and distribution of low- and moderate-income houses and subsidized apartments available from the Department of Housing and Urban Development.
- Possible shortfalls in the availability of low- and moderate-income assistance programs through the Department of Housing and Urban Development.
- Possible inadequate school capacity to accommodate school-age children accompanying employees being relocated.

IMPACTS ON EMPLOYEES

As noted by OPM, in its analysis of recent relocations, employees tend to have negative reactions to proposed relocations--and reasonably so, because they are asked to give up much stability and security and break family and community ties to keep their jobs. OPM also noted that attrition rates for women and minorities in relocations are generally higher than for other employees. This is due in part to the fact that higher grade, professional employees seem to be willing to sacrifice more to maintain their current positions while lower grade, nonprofessional employees may have less vested interest in their positions.

Some of the socioeconomic and other concerns of relocating employees include:

- Availability of adequate housing and schools for low- and moderate-income groups and racial minorities.

- "Culture shock" caused by relocation of a sizable "urbanized middle class" into a predominately rural area (on both the local residents and newcomers).
- Breaking of certain family, community, and cultural ties.
- Apprehension by minorities that they will encounter less tolerance and more discrimination in the move.
- Disruption of personal plans caused by earlier-than-planned retirement for some employees.
- Fear of violence (increased crime risk) in the new location.
- Difficulty in pursuing one's religion.
- Importance of where the move is to.
- More limited cultural events in the new area.
- Problem of moving families while children are in the middle of a school year.
- Increased housing cost in the new location due to increased demand.

Additional information on the 57 functions reported by OMB as decentralization possibilities, obtained by us from agency and OMB sources, shows that the proposed decentralizations, if carried out, would affect large numbers of minorities, women, and employees in lower grades. Information on the number of potentially affected employees in each of these categories for the 13 departments and agencies suggesting decentralization candidates is shown in the table below. As noted in the following table, complete information for all departments and agencies was not available from agency files or OMB.

<u>Department or agency</u>	<u>Potentially affected civilian employees</u>			
	<u>Total</u>	<u>Minorities</u>	<u>Women</u>	<u>Grades GS-1 to GS-8</u>
Commerce	30	4	6	4
Defense	1,164	(a)	(a)	(a)
Health, Education, and Welfare	750	<u>b/c/188</u>	<u>c/300</u>	-
Housing and Urban Development	299	180	122	164
Justice	378	264	233	354
Labor	(d)	-	-	-
Transportation	55	(b)	10	9
Treasury	64	39	25	51
GSA	5,781	1,524	2,505	2,255
Interstate Commerce Commission	17	<u>b/c/4</u>	<u>c/4</u>	5
National Transportation Safety Board	7	-	-	1
Nuclear Regulatory Commission	31	<u>b/1</u>	1	1
OPM	<u>266</u>	<u>c/148</u>	<u>c/159</u>	<u>179</u>
Total	<u>8,842</u>	<u>2,352</u>	<u>3,365</u>	<u>3,023</u>

a/Not available.

b/Understated because minority women were not included (see the last part of chapter 3).

c/Exact figure not available. This is an approximate number of potentially affected employees in this category, computed from available data.

d/No employees involved (only positions).

Available information on the grades of employees who would be affected by relocating the 57 functions to sites outside the NCR is shown in appendix V.

CHAPTER 6

CONCLUSIONS

In our opinion, the most significant result of the OMB study was its identification and discussion of the various types of costs, benefits, and other factors associated with decentralizations. We believe this information should be useful to OMB in developing more specific and more practical criteria for use by Government departments and agencies in making decentralization decisions.

Although the study report provides some indication of the range of functions and the number of employees that might be considered for relocation from the NCR, the report's list of decentralization candidate functions does not present a completely clear picture of current decentralization possibilities. For example, the list does not include all possibilities suggested by responsible agencies. On the other hand, it includes many functions which, according to the criteria established by OMB, should have been excluded because they were planned or being actively considered for decentralization at the time the study was made.

Other aspects of the study which we believe limit its usefulness as a means for objectively assessing decentralization possibilities are

- the fact that almost one-third of the 61 independent executive agencies in the NCR either were not asked or not pressed by OMB to provide input to the study;
- the inclusion, in OMB's list of decentralization candidates, of planned, tentative, and theoretical decentralization possibilities without any showing of which functions are in each category;
- the inclusion in the list of many functions suggested by agencies merely as theoretical decentralization possibilities, without any cost/benefit analyses having been performed to determine the feasibility of such decentralizations; and
- inconsistencies in estimating and reporting the number of potentially affected employees, including the number of minorities and women who would be affected.

Readers of the OMB report should be careful not to assume that all functions listed as decentralization candidates will

be decentralized. Because of the uncertain decentralization prospects for many of these functions, which were suggested by agencies merely as theoretical possibilities, actions to relocate these functions may not materialize. Before decentralizations actually take place, relocation sites, costs, benefits, impacts on employees, urban and community impacts, and other factors related to the moves must be thoroughly reviewed and analyzed.

Although it is theoretically possible to relocate many Federal functions out of the NCR (including many functions which were not identified as decentralization possibilities by the OMB study), the high cost of relocating these functions may make such moves impractical. We agree with OMB that the costs and benefits of each proposed relocation should be thoroughly considered and carefully weighed before any decisions to decentralize a function is made.

We also agree with OMB on the need to revise and update OMB Circular A-60 to provide agencies with more specific criteria for use in making decentralization decisions. We believe the revised circular should contain practical guidance for considering all factors relevant to proposed decentralizations and for systematically weighing costs and benefits to determine the feasibility of the moves.

OMB COMMENTS

In commenting on our draft report, OMB acknowledged that our basic conclusions coincide with those presented in its study. OMB observed that our report's conclusions, however, reflect an apparent misunderstanding by advising readers to be careful not to assume that all functions listed in the OMB study as decentralization candidates will be decentralized.

We fully recognize responsible agencies will need to further consider the decentralization possibilities listed by OMB before they make any decentralization decisions. Our purpose in commenting on this issue in our report is merely to emphasize the point.

COPY

SECTION 901 OF THE CIVIL SERVICE REFORM ACT OF 1978

TITLE IX--MISCELLANEOUS

STUDY ON DECENTRALIZATION OF GOVERNMENTAL FUNCTIONS

Sec. 901. (a) As soon as practicable after the effective date of this Act, the Director of the Office of Management and Budget shall conduct a detailed study concerning the decentralization of Federal governmental functions.

Study.
31 USC 18
note.

(b) The study to be conducted under subsection (a) of this section shall include--

(1) a review of the existing geographical distribution of Federal governmental functions throughout the United States, including the extent to which such functions are concentrated in the District of Columbia; and

(2) a review of the possibilities of distributing some of the functions of the various Federal agencies currently concentrated in the District of Columbia to field offices located at points throughout the United States.

Interested parties, including heads of agencies, other Federal employees, and Federal employee organizations, shall be allowed to submit views, arguments, and data in connection with such study.

(c) Upon completion of the study under subsection (a) of this section, and in any event not later than one year after the effective date of this Act, the Director of the Office of Management and Budget shall submit to the President and to the Congress a report on the results of such study together with his recommendations. Any recommendation which involves the amending of existing statutes shall include draft legislation.

Report to
OMB, President and
Congress.

COPY

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON 25 D C

July 18, 1963

CIRCULAR NO. A-60

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Criteria for decentralizing Federal activities from the National Capital region

1. Purpose. Section 3(d) of Executive Order 11035 of July 9, 1962, directs agencies to "review continuously their needs for space in and near the District of Columbia, taking into account the feasibility of decentralizing services or activities which can be carried on elsewhere without excessive costs or significant loss of efficiency." This Circular establishes general criteria to assist Federal departments and agencies in determining the desirability of decentralizing agencies or agency activities from the National Capital region.

2. Background. In a memorandum of November 27, 1962, to the heads of executive departments and establishments and to the Commissioners of the District of Columbia, the President set forth development policies to serve as guidelines for the agencies of the executive branch in fulfilling the objectives of the Year 2000 Plan developed by the National Capital Planning Commission and the National Capital Regional Planning Council. The plan projected a total regional population of five million by the year 2000. Among the assumptions on which that projection was based were that Federal employment in the region would not exceed 450,000 and, secondly, that Federal activities not essential to the seat of government would be located outside of the National Capital region.

The President's ad hoc Committee on Federal Office Space initially proposed criteria for decentralization of activities from the National Capital region. These criteria are refined and clarified in this Circular.

The criteria are designed to provide practical tests for determining whether agencies, new or expanding activities, or existing activities should be located in the National Capital region or located outside of the region through decentralization or delegation of responsibility to existing field facilities. The National Capital region includes the District of Columbia, Montgomery and Prince Georges Counties in Maryland, and Arlington, Fairfax, Loudoun and Prince William Counties in Virginia; the cities of Alexandria and Falls Church in Virginia; and all cities now or hereafter existing in Maryland or Virginia within the geographic area bounded by the outer boundaries of the combined area of aforesaid counties.

(No. A-60)

a. Department and agency heads. Department and agency heads will utilize the criteria contained in paragraph 3 in continuously reviewing their needs for space in and near the District of Columbia, as required by section 3(d) of Executive Order 11035, and in determining and justifying requests for additional space.

Whenever it is determined that decentralization of an agency or segments of an agency is desirable, but not permissible under existing laws, the department or agency head will request such amendments to these laws as may be required to carry out this objective. Department and agency heads (in coordination with the General Services Administration when appropriate) will also take such steps as may be required by applicable statutes and regulations to secure authorizations and appropriations for land acquisition, construction, alteration, or leasing of facilities.

b. The General Services Administration. The General Services Administration will utilize the criteria contained in paragraph 3 in its continuing investigation and survey of public building needs in the National Capital region under the Public Buildings Act of 1959 and Executive Order 11035 and in reviewing the requests of each agency for new space or facilities in the region.

Whenever decentralization of an agency or activity has been determined to be desirable, the General Services Administration, in coordination with the agency concerned, will take such steps as may be required by applicable statutes and regulations to secure authorizations and appropriations for land acquisition, construction, alteration, or leasing of facilities.

c. The Bureau of the Budget. The Bureau of the Budget will provide assistance to agencies, upon request, in utilizing the criteria established by this Circular and will further refine and clarify these criteria as necessary. It will take into account these criteria in reviewing agency reorganization proposals and in reviewing agency requests for funds for new space or facilities in the National Capital region.

d. Consultation with other agencies. Agencies considering decentralization of one or more of their activities will consult with the Area Redevelopment Administration (Department of Commerce), the Civil Service Commission and the Office of Emergency Planning, on matters affecting the responsibilities of these agencies. Agencies considering relocation of existing activities involving the construction of public works or the location of new activities in the National Capital region will consult with the National Capital Planning Commission on matters affecting its responsibilities. The Bureau of the Budget and the General Services Administration will similarly consult with these agencies in reviewing agency proposals for decentralization.

(8) It requires close coordination or working relationships with other Federal activities which are also susceptible to decentralization or delegation to a common new location or to existing field offices in a common location outside the National Capital region.

(9) Small liaison offices in Washington could effectively meet headquarters needs.

(10) Increased administrative economies, such as in travel, communications, rental, and recruiting, and improved efficiency, as in speed of decision-making or better service to the public, can be achieved through relocation and its initial costs can be justified accordingly.

b. An agency or agency activity is generally not susceptible to location outside the National Capital region when:

(1) It is directed to meeting the needs of the President, the Congress, or agency heads for continuing consultation, direction, and fixing of responsibility for governmental action.

(2) It is concerned with establishing national policies or developing broad principles and programs for nationwide application.

(3) It involves exercising general supervision over agency operations throughout the country to assure that those operations are in accord with general national policies.

(4) It is an activity conducted by persons who require close working relationships with those who make or direct major agency policy and who themselves must be located in the National Capital region.

(5) It requires close coordination or working relationships or continual communication with other headquarters agencies, the Congress, or non-governmental organizations or individuals located in the National Capital region.

(6) The costs of decentralization (including replacement of specialized physical facilities, loss of personnel with specialized skills, special training, relocation, travel, communications, and disruption of current operations) would outweigh benefits to be gained.

(7) Workload would not justify development of additional specialized staffs solely in order to achieve decentralization or delegation.

4. Responsibility for implementation. Responsibility for implementing the provisions of this Circular is assigned as follows:

(No. A-60)

Development of a well-informed judgment on the most desirable location of an agency or activity under review will require balanced consideration of all applicable criteria; no one criterion can be considered conclusive. In such an evaluation, consideration must be given to the needs of the Government as a whole, the relation of the work of the agency to other agency headquarters, and the needs of persons served or affected by the agency or activity.

3. Criteria for location of agencies or activities. In formulating and applying criteria regarding the proper location of an agency or an activity, consideration must be given to its major purpose, its principal working relationships with other governmental and non-governmental activities, and to costs and special requirements.

a. An agency or an agency activity is generally susceptible to location outside of the National Capital region when:

(1) It performs functions or provides services to clientele in a particular region of the country other than Washington.

(2) It is engaged in operations to carry out well-defined policies and programs which require only limited day-to-day headquarters supervision.

(3) It is a regional, district or other field office (unless it can be demonstrated that the workload of the office is predominantly concerned with the National Capital region).

(4) It provides large-scale supporting services of a relatively repetitive or routine nature, such as records maintenance; procurement and inventory control; training, including the operation of schools; administration of real property and related engineering services; manufacturing; financial accounting and disbursing activities; or statistics and data collection, and related fact-gathering and processing operations.

(5) It is a review function or administrative service activity which could be performed equally well by field offices exercising general supervision over operating offices.

(6) It operates in a relatively self-sufficient manner, which does not require it to have close intra-agency or interagency working relationships.

(7) It requires close coordination with other governmental (Federal, State and local) and non-governmental activities or individuals within a given geographical area other than the National Capital region.

(No. A-60)

5. Report to the Bureau of the Budget. Each department and agency head will advise the Bureau of the Budget not later than September 9, 1963, of the procedural arrangements (including assignments of responsibility) that he has made for the systematic utilization of these criteria in reviewing and determining his organization's space requirements in the National Capital region.

KERMIT GORDON
Director

(No. A-60)

ANALYSIS OF FUNCTIONS REPORTED BY OMBAS DECENTRALIZATION CANDIDATES

<u>Department or agency</u>	<u>Function</u>	<u>Estimated No. of employees</u>		
		<u>Military</u>	<u>Civilian</u>	
<u>Functions Planned For Decentralization</u>				
Defense	American Forces Radio and Television Service	5	16	
	Defense Mapping School	127	68	
	Navy Diving and Salvage School	80	7	
	Federal Aviation Administration: Aircraft Safety Development Division Airport Development Division	-	a/55	
Total		<u>212</u>	<u>146</u>	
<u>Functions Being Actively Considered For Decentralization</u>				
Defense	U.S. Army Facilities Engineering Support Agency	51	96	
	U.S. Army Engineer School	1,103	348	
	Fort Belvoir Engineer School Support Activities	614	-	
	561st Military Police Company	105	-	
	Headquarters, U.S. Army Intelligence and Security Command	442	449	
	Headquarters, Financial Systems Division, Navy Fleet Material Support Office	-	105	
	Central Data Processing Activity, Marine Corps Personnel Support Activity	b/84	c/67	
	Detachment 1, 544 Aerospace Reconnaissance Technical Wing	-	8	
	Justice	Drug Enforcement Administration	-	38
		Immigration and Naturalization Service	-	340

APPENDIX III

APPENDIX III

Department or agency	Function	Estimated No. of employees		
		Military	Civilian	
<u>Functions Being Actively Considered For Decentralization</u>				
Labor	Employment Standards Administration: Black Lung Program Federal Contract Compliance Computer Operations for Wage-Hour Sub-Minimum Wage Office of Administrative Law Judges: Black Lung/Longshore Employment and Training: Comprehensive Employment and Training Act (CETA) Bureau of International Labor Affairs Labor Management Services Administration: Pension and Welfare Enforcement of Standards	-	(d)	
	Treasury	Internal Revenue Service: National Office Computer Facility	-	64
	Interstate Commerce Commission	Administrative Law Judges	-	17
	National Transportation Safety Board	Administrative Law Judges	-	3
		Air Traffic Safety Investigators	-	4
	Nuclear Regulatory Commission	State Liaison	-	e/5
		Licensing Operation	-	1
		Materials Licensing	-	3
		Inspection Training	-	18
		Performance Appraisal	-	2
	OPM		-	266
	Total		<u>2,399</u>	<u>1,834</u>

Department or agency	Function	Estimated No. of employees	
		<u>Military</u>	<u>Civilian</u>
<u>Functions Suggested By Agencies As Theoretical Decentralization Possibilities</u>			
Commerce	National Telecommunications and Information Administration	-	30
Health, Education, and Welfare	Alcohol Community Services	-	50
	Drug Abuse	-	75
	Clearinghouse Functions	-	25
	Computer Operations	-	50
	Non-NIH (National Institutes of Health) Research	-	500
	Social Security Administration	-	50
Housing and Urban Development	Computer Operations	-	152
	Personnel	-	35
	Accounting	-	97
	Records Filing	-	15
GSA	Executive Direction	-	290
	Controller	-	971
	General Counsel	-	109
	Contract Appeals Board	-	13
	Automated Data and Telecommunications	-	334
	Federal Preparedness	-	789
	Federal Property Resources	-	206
	Federal Supply Service	-	1,077
	National Archives and Records	-	1,116
	Public Buildings Service	-	500
Transportation and Public Utilities Service	-	376	
Nuclear Regulatory Commission	Public Document	-	2
Total		-	<u>6,862</u>
TOTAL		<u>2,611</u>	<u>8,842</u>

a/Employee breakdown between the two divisions was not available.

b/Incorrectly included in OMB computation as 67.

c/Incorrectly reported by OMB as 84.

d/According to a Department of Labor official, the decentralization of these functions (for which OMB reported a total of 330 employees) would not involve the physical transfer of any employees but only the transfer of positions. Because the OMB study focused primarily on the physical decentralization of functions (along with the transfer of attendant resources, including personnel), we believe these functions were improperly included in OMB's list of (physical) decentralization possibilities.

e/Incorrectly reported by OMB as 3.

FUNCTIONS SUGGESTED BY AGENCIES AS DECENTRALIZATION

POSSIBILITIES BUT NOT INCLUDED IN OMB'S

LIST OF DECENTRALIZATION CANDIDATES

<u>Department or agency</u>	<u>Function</u>	<u>Estimated No. of civilian employees (note a)</u>
<u>Functions Planned For Decentralization</u>		
Justice	U.S. Marshals Service: Prisoner Coordination	8
Treasury	U.S. Customs	200
Federal Communi- cations Commission	Private Radio Bureau	100
National Labor Rela- tions Board	Administrative Law Judges	(b)
Total		<u>308</u>
<u>Functions Being Actively Considered For Decentralization</u>		
Interior	Heritage Conservation and Recreation Service: Division of Grant Adminis- tration Division of the National Register Division of Technical Preservation Services	c/45
Justice	Criminal Division: Economic Crime Units Data Processing Center Immigration and Naturalization Service: Alien Documentation Ident- tification and Telecom- munications Program U.S. Marshals Service: Employee Development Telecommunication Center	14 (b) 15 6 (b)

APPENDIX IV

APPENDIX IV

<u>Department or agency</u>	<u>Function</u>	<u>Estimated No. of civilian employees (note a)</u>
<u>Functions Being Actively Considered For Decentralization</u>		
Commodity Futures Trading Commission	Enforcement and Market Surveillance	<u>20</u>
Total		<u>100</u>
<u>Functions Suggested As Theoretical Decentralization Possibilities</u>		
Health, Education, and Welfare	Professional Standards Review Organization	(b)
Transportation	U.S. Coast Guard:	
	Motorboat Lettering	(b)
	Merchant Vessel Documentation Records	(b)
	Service-wide Military Payroll Allotments, Pay Records, and Settlements	(b)
	Accounting Operations	(b)
Commodity Futures Trading Commission	Contract Market Designations	4
	Trade Practice Investigations	(b)
	Review of Exchange Records	(b)
	Rule Enforcement Reviews	(b)
	Review of Change to Existing Exchange Rules	(b)
	Hearings and Appeals	3
Small Business Administration	Data Management Activity	(b)
	Accounting and Payroll Functions	(b)
Total		<u>7</u>
TOTAL		<u>415</u>

a/Category for military personnel is not applicable.

b/Not available.

c/Employee breakdown among the three divisions was not available.

GRADES OF EMPLOYEES ASSOCIATED WITH FUNCTIONS
IDENTIFIED BY OMB AS DECENTRALIZATION CANDIDATES

Department/agency	GS grades																	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		18
Commerce	-	-	-	3	1	-	-	-	2	-	4	6	10	3	1	-	-	-	30
Defense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(a)
Health, Education, and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(a)
Housing and Urban Development	1	1	5	20	55	30	46	6	23	1	41	18	38	7	6	1	-	-	299
Justice	-	19	191	67	31	19	23	4	7	1	7	3	4	2	-	-	-	-	378
Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(b)
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(c)
Treasury	-	3	3	9	16	4	12	4	4	1	5	2	1	-	-	-	-	-	64
GSA	1	54	123	283	631	431	574	158	471	49	669	725	766	487	289	40	17	13	5,781
Interstate Commerce Commission	-	-	-	-	5	-	-	-	-	-	-	-	2	-	-	9	1	-	17
Nuclear Regulatory Commission	-	-	-	-	-	-	-	1	-	-	1	2	2	14	3	-	-	-	d/23
National Transporta- tion Safety Board	-	-	-	-	-	-	1	-	-	-	-	-	4	-	-	2	-	-	7
OPM	-	9	32	57	48	13	20	-	23	1	33	10	14	4	2	-	-	-	266
Total	<u>2</u>	<u>86</u>	<u>354</u>	<u>439</u>	<u>787</u>	<u>497</u>	<u>676</u>	<u>173</u>	<u>530</u>	<u>53</u>	<u>760</u>	<u>766</u>	<u>841</u>	<u>517</u>	<u>301</u>	<u>52</u>	<u>18</u>	<u>13</u>	<u>6,865</u>

a/Breakdown by grades was not available.

b/No employees involved (only positions).

c/Transportation did not provide a breakdown of employees by grades but did provide grade ranges. Nine employees were reported as being in grades 6 and 7, and 46 employees were reported as being in grades 12 through 17.

d/Does not include eight employees for whom grade levels were not available.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR. 8, 1980

Mr. Richard W. Gutmann
Director, Logistics and
Communications Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Gutmann:

I am pleased to provide our comments on the draft GAO report on OMB's Study of Decentralization of Federal Governmental Functions for inclusion in the final report.

We were gratified to see the GAO statement in the draft that noted:

"In our opinion, the presentation of the study's findings relating to decentralization benefits and problems is fair, objective, well-balanced, informative, and potentially useful in developing better criteria for considering decentralization proposals."

The draft report, after offering constructive criticism and different perspectives and judgments about the methodology employed, ends by agreeing with the basic conclusions of the OMB study:

- . the costs and benefits of any relocation should be thoroughly considered and carefully weighed before any decision to decentralize a function is made, and
- . OMB Circular A-60 should be revised and updated.

The report's conclusions section does reflect one apparent misunderstanding of the OMB study. It advises readers of the OMB study to "avoid assuming that all functions listed as decentralization candidates will be decentralized." The OMB study did conclude that "there appears to be no basis for recommending major physical decentralization of Federal functions currently located in the National Capital Region at this time." The decentralization possibilities listed are simply possibilities and would require further consideration by the involved agencies before any decisions would be made.

The principal GAO criticisms are related to its perception that the scope of the study was limited and that there were inconsistencies and inaccuracies in compiling data. Basically, with

the advantage of having the completed study available, the General Accounting Office indicates it would have made different judgments on methodology if it had been conducting the original study.

Below are our comments on each of the major points raised in the GAO draft report.

Limited study scope. GAO states that complete data on the geographic distribution of Federal functions was not compiled, suggested relocation sites for candidate functions were not obtained, relocation costs and other relevant factors were not analyzed, and full participation of all Federal agencies was not obtained. GAO criticizes OMB for not following its published work plan, since the study does not contain information on suggested relocation sites and costs.

- OMB's judgment was that the significant issue of geographic distribution, based on the statutory requirement for the study, was the distinction between functions located inside vs. outside the National Capital Region (NCR), and that it was immaterial to the statutory mandate to specify where outside the NCR given functions were being conducted.

OMB's work plan for the study, of course, was developed internally by OMB and, as is the case with any good work plan, was susceptible to evolution and modification as the work progressed. OMB's judgment was that the general cost and benefit data that developed during the study made it unnecessary to require specific relocation site and cost data from the agencies. Consequently, we chose not to pursue that part of our initial work plan.

No controls to ensure participation. GAO reports that OMB did not establish adequate procedures and controls to ensure that all Federal agencies participated and thus could not be sure it had requested information from all agencies having activities in the NCR or that it received replies from all agencies contacted. GAO claims that 15 of 61 independent agencies were not asked for information.

- OMB communicated with the heads of all Executive departments and agencies through the normal mechanism of a formal memorandum from the Director. Follow-up contacts by telephone were made with the agencies during the course of the study. OMB made the judgment that it was not necessary to press the smaller agencies, in which significant decentralization

possibilities were unlikely, for formal written responses to the memorandum. GAO's claim that 15 independent agencies were not asked for information appears inconsistent with the distribution of the original OMB memorandum to Executive departments and agencies.

No controls to ensure identification of all decentralization possibilities. GAO reports, "Agencies were delegated complete responsibility for reviewing, selecting, and suggesting candidate functions. Information furnished by the agencies was accepted by OMB at face value without verification or question." Also, GAO lists extra HEW functions that initially were suggested and then were withdrawn at the Department's request.

- OMB chose to give the agencies the responsibility for identifying decentralization possibilities. OMB imposed no quotas or arbitrary requirements--the study was designed specifically not to press either for or against "decentralization." The extra HEW functions listed in an earlier draft of the OMB study report were eliminated from the final report because HEW stated that it did not want those functions included. Consistent with the objective approach OMB was taking in the study, no pressure was applied to HEW to change its judgment.

Accuracy and reasonableness of reported information and inconsistent estimating methods. GAO states that the information developed on decentralization candidate functions and number of employees involved was not consistently, and in some cases not correctly, assembled and reported. GAO concluded that the study report's list of decentralization possibilities and its estimates of numbers of potentially affected employees, including numbers of minorities and women, are not completely accurate or reasonable. GAO further reports that the breakouts of the numbers of potentially affected female and minority employees were reported to OMB in an inconsistent and ambiguous manner. "For example, one agency did not provide breakouts of minorities and women. Some agencies listed minority women in both the minority and female categories, while other agencies included minority women only in the female category but not in the minority category." GAO concludes that the OMB report's information on percentages of minority employees is understated; and that the report does not present a clear picture with respect to minorities and women because it does not show the extent to which minority women are included in both categories.

- The statutory mandate for the OMB study did not require any of the employee data that GAO is questioning. OMB

provided it to give the Congress a general idea about the implications of decentralization for various employee groupings, and believes that the data is useful "order of magnitude" information.

Costs not identified. GAO reports that costs were not explored and that moves may not be feasible from a cost/benefit standpoint.

- The OMB report acknowledges that in any given case the benefits of decentralizing a function may or may not outweigh the costs. The OMB study recommendations do not preclude or require such decentralizations. OMB's judgment was that it was not necessary to include specific function-by-function cost/benefit data in a report surveying general possibilities of decentralization. Rather, OMB chose to emphasize the generic types of costs and benefits which should be considered by agencies thinking about decentralizing functions.

Analysis of decentralization possibilities. The GAO analysis states that (1) OMB's reported list of decentralization candidates conceivably could have included as many as 74 functions with more than 9,257 civilian and 2,611 military employees, to as few as 36 functions with 6,869 employees, depending on the particular criteria that might be followed, and (2) any criteria, consistently applied, would have produced a list of candidates significantly different from the one included in the OMB report.

- GAO's perception that the number of decentralization candidates and employees might have been different using different analytical techniques, whether correct or not, again is immaterial to the conclusions reached in the study. GAO's higher range figure of 9,257 civilian employees affected represents only 3 percent of the Federal civilian work force in the NCR, the same percentage reflected in the OMB study. GAO's lower range figure results in an even less significant effect on the Federal employee population in the NCR, further supporting the OMB report conclusions.

We appreciate the opportunity to provide these comments for inclusion in your final report.

Sincerely,


Harrison Wellford
Executive Associate Director
for Reorganization and Management

cc: Joe Kelly, Assistant Director
Logistics and Communications Division, GAO



10/10/10

10/10/10

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U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS